

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

AUDIT REPORT

OF

COUNTY TREASURER

LAKE COUNTY, INDIANA

January 1, 2006 to December 31, 2006



**FILED**

12/07/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Treasurer's Monthly Reports and Bank Reconciliations .....	4
Cash Necessary to Balance .....	4
Collection of Delinquent Personal Property Taxes .....	5
Properties Removed From Tax Sale .....	5-6
Special Report .....	6
Exit Conference .....	7

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John E. Petalas	11-21-05 to 12-31-10
President of the County Council	Will A. Smith, Jr. Elsie Franklin	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the Board of County Commissioners	Rudolph Clay Frances DuPey Gerry J. Scheub Roosevelt Allen, Jr.	01-01-06 to 04-07-06 04-08-06 to 05-16-06 05-17-06 to 12-31-06 01-01-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

TO: THE OFFICIALS OF LAKE COUNTY

We have audited the records of the County Treasurer for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Results and Comments. The financial transactions of this office are reflected in the Annual Report of Lake County for the year 2006.

STATE BOARD OF ACCOUNTS

September 19, 2007

COUNTY TREASURER  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS

TREASURER'S MONTHLY REPORTS AND BANK RECONCILIATIONS

The Treasurer's Monthly Report (Form 47TR) is to be prepared by the sixteenth day of the following month. During 2006, all of the required reports were filed between 126 and 207 days late. A contributing factor to the late filing was that bank reconciliations (for all bank accounts except the payroll account) were not performed timely.

Reconcilements of the fund balances to the bank account balances were performed more than six months after the end of each month for 2006. Late reconcilements result in required reports being prepared and submitted late and errors not being discovered or corrected timely or even in the same accounting period (year). In addition, reconciling items are carried for over one year on subsequent reconcilements and the differences are not investigated to ensure that adjustments are recorded or that errors are corrected. Lack of timely reconcilements and reports of the financial condition of the County could result in inaccurate financial information being used by County officials to make management decisions.

On or before the 16th day of each month the treasurer shall prepare a report showing the financial condition of the office as of the close of business on the last day of the preceding month. The report shall be prepared in quadruplicate and each copy shall be verified by certificate of the treasurer. The treasurer shall retain one copy as a public record in the office and three copies shall be filed with the county auditor. The county auditor shall file the original of said reports with the records of the county board of finance, one copy shall be presented to the board of county commissioners at its next regular meeting, and the county auditor shall immediately transmit one copy to the State Board of Accounts. [IC 36-2-9-11 and 36-2-10-16] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 4)

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 12)

CASH NECESSARY TO BALANCE

The County Treasurer's office is responsible for reconciling the depository balances to the fund balances and maintaining the Treasurer's Daily Balance of Cash and Depositories (Form 47). At December 31, 2006, the reconciled depository and investment balances did not agree to the Form 47 balance. Various cash longs and shorts resulted in net cash short of \$161,901.64. There appears to have been some problems with the software used for tax billings and collections, which contributed to the various cash longs and shorts. The processing of voids by the tax software made it possible to record voids in the wrong settlement period. In addition, various tax reports did not always agree, which required additional investigation to determine the cause of the errors. Until resolved, these errors create cash longs and shorts that fluctuate throughout the year.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for County Treasurers of Indiana, Chapter 10)

COUNTY TREASURER  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

COLLECTION OF DELINQUENT PERSONAL PROPERTY TAXES

Demand notices for delinquent personal property taxes have not been served upon taxpayers since 2003. Consequently, the delinquent taxes were not filed with the County Clerk as judgments against the taxpayers and the corresponding amounts of delinquent taxes were not removed from the tax duplicate.

The County Treasurer has the duty to enforce the collection of delinquent personal property taxes, including taxes on mobile homes.

Annually, after November 10 but prior to August 1 of the succeeding year, each County Treasurer shall serve a written demand upon each county resident who is delinquent in the payment of personal property taxes.

If a taxpayer does not pay the total amount due within thirty (30) days after the date the written demand is made, the county treasurer shall levy upon and sell personal property of the taxpayer which is of sufficient value to pay the delinquent taxes, penalties and anticipated collection expenses. [IC 6-1.1-23-2]

In the year immediately following the year in which personal property taxes become delinquent, each county treasurer shall prepare a record of the delinquencies for which written demand has been made and which remain unpaid for at least sixty (60) days after the demand is made. The county treasurer shall swear to the accuracy of the record before the clerk of the circuit court and shall file the record with the clerk. When the record is so filed, the amount of delinquent taxes, penalties and collection expenses stated in the record constitute a debt of the named taxpayer and the debt in all respects has the same force and effect as a judgment. On the date the county treasurer files the record of the judgments in the office of the clerk of the circuit court, the county treasurer shall make an entry on the tax duplicate in a column headed "Certified to Clerk of Circuit Court." [IC 6-1.1-23-9] (Accounting and Uniform Compliance Guidelines Manual for County Treasurers, Chapter 7)

PROPERTIES REMOVED FROM TAX SALE

Ten percent (10%) of properties tested that were removed from the October, 2006, tax sale were removed without proper documentation. Two of these properties were included in lists of eight and seventeen properties, respectively, all of which were removed from the tax sale simultaneously without proper documentation.

There were also several newspaper articles in 2006 and 2007 concerning properties removed from tax sales due to notifications of bankruptcy filings. These were removed without proper documentation to substantiate the bankruptcy filing. In addition, many of these properties were kept off the tax sale lists for years even though the bankruptcy case had been discharged from court and the bankruptcy should have been removed from the property tax system. The County Treasurer has reviewed all bankruptcy properties in the system and has implemented new procedures to document how properties are excluded from tax sales.

Indiana Code 6-1.1-24-1.2(a) states: "Except as provided in subsection (c), a tract or an item of real property may not be removed from the list certified under section 1 of this chapter before the tax sale unless all delinquent taxes, special assessments, penalties due on the delinquency, interest, and costs directly attributable to the tax sale have been paid in full."

COUNTY TREASURER  
LAKE COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 6-1.1-24-4.7(b) and (c) state: "Not later than seven (7) days before the advertised date of the tax sale, the court shall conduct a hearing. At the hearing, the court shall hear any defense offered by any person interested in any of the tracts or items of real property to the entry of judgment against them, hear and determine the matter in a summary manner, without pleadings, and enter its judgment. The court shall enter a judgment under this subsection not later than three (3) days before the advertised date of the tax sale. The objection must be in writing, and no person may offer any defense unless the writing specifying the objection is accompanied by an original or a duplicate tax receipt or other supporting documentation. At least seven (7) days before the date set for the hearing, notice of the date, time, and place of the hearing shall be provided by the court to any person filing a defense to the application for judgment and order of sale. (c) If judgment is entered in favor of the respondent under these proceedings or if judgment is not entered for any particular tract, part of a tract, or items of real property because of an unresolved objection made under subsection (b), the court shall remove those tracts, parts of tracts, or items of real property from the list of tracts and real property provided under section 4.6 of this chapter."

SPECIAL REPORT

The examination of cash collections and related controls is ongoing. The results will be issued in a special report at a later date.

COUNTY TREASURER  
LAKE COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2007, with John E. Petalas, Treasurer. The official concurred with our audit findings.

The contents of this report were also discussed on September 27, 2007, with Roosevelt Allen, Jr., President of the Board of County Commissioners; and on October 10, 2007, with Elsie Franklin, President of the County Council; and Larry Blanchard, Councilman.